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The Borden Company

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES

ANNUAL REPORT

For the fiscal year ended December 31, 1931

1857



1932

"Seventy-Five Years of Service"

March 1932

THE BORDEN COMPANY

New York

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ESTABLISHED 1857

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ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1931



March 1932
THE BORDEN COMPANY
New York

THE BORDEN COMPANY

DIRECTORS

HOWARD BAYNE
HUGH BLAIR-SMITH
LEWIS M. BORDEN
L. MANUEL HENDLER
ALBERT T. JOHNSTON

ROBCLIFF V. JONES
JOHN LE FEBER
EDWARD B. LEWIS
JOHN W. MCCONNELL
ALBERT G. MILBANK

ARTHUR W. MILBURN
BEVERLEY R. ROBINSON
STANLEY M. ROSS
WALLACE D. STRACK
ROBERT STRUTHERS

OFFICERS

ALBERT G. MILBANK, *Chairman Board of Directors*
ARTHUR W. MILBURN, *Chief Executive & Chairman Executive Committee*
ALBERT T. JOHNSTON, *President*
WALLACE D. STRACK, *Executive Vice-President*
PATRICK D. FOX, *Vice-President*
EDWARD B. LEWIS, *Vice-President*
MERRITT J. NORTON, *Vice-President*
RALPH D. WARD, *Vice-President*
GEORGE M. WAUGH, JR., *Vice-President*
WILLIAM P. MARSH, *Secretary and Treasurer*
EVERETT L. NOETZEL, *General Controller & Assistant Secretary*
WALTER H. REBMAN, *Assistant Secretary*
GEORGE BITTNER, *Assistant Treasurer*
ST. JOHN W. DAVIS, *Asst. General Controller & Asst. Treasurer*
FREDERICK W. SCHWARZ, *Assistant Treasurer*
THEODORE D. WAIBEL, *Assistant Secretary*

This list reveals some changes in the official personnel as the result of new offices created. This is purely an organization matter initiated by the writer of this Report in the interest of better operating control and a speeding up of activities in general and co-ordination in particular.

EXECUTIVE OFFICES

THE BORDEN COMPANY
350 Madison Avenue, New York City
(*Subsidiary and Territorial Offices not included*)

REGISTERED OFFICE
15 Exchange Place, Jersey City, N. J.

Transfer and Dividend Disbursing Agent
THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK
11 Broad Street, New York City

Registrar, BANKERS TRUST COMPANY, 16 Wall Street, New York City
Counsel, MILBANK, TWEED, HOPE & WEBB, 15 Broad Street, New York City

CORPORATE ORGANIZATION AND SCOPE

The business of the Company falls into four general divisions. In conformity with this there were created during the year 1929 four major sub-holding companies to conduct and co-ordinate the operations of these four general divisions. For similar reasons and because of the extent of operations throughout all of Canada, which operations embrace the activities of all four general divisions, Borden's Ltd, a Dominion Corporation, was organized in 1930.

The Borden Company owns 100% of the stock of these major sub-holding companies, and of Borden's Ltd, each of which companies, in turn, owns 100% of the stock of the operating companies coming under its control.

The four major sub-holding companies are as follows:—

BORDEN'S FOOD PRODUCTS COMPANY, INC.

Food Products Group—manufacture and sale since 1857 of Eagle Brand as well as other brands of condensed milk; also evaporated, malted and dry milk; casein products, caramels, mince meat, dried fruit juices, etc.

Business of the above nature is conducted throughout the United States, Canada and in Export Markets.

BORDEN'S DAIRY PRODUCTS COMPANY, INC.

Fluid Milk Group—purchase and distribution by a system of wagon deliveries of milk, cream, butter, eggs, etc.

Business of the above nature is conducted in the States of:—

Arizona	Indiana	New Jersey	Pennsylvania
California	Massachusetts	New York	Texas
Connecticut	Michigan	Ohio	Wisconsin
Illinois	Missouri		

and in the Provinces of Ontario and Quebec in Canada.

CORPORATE ORGANIZATION AND SCOPE

[Continued]

BORDEN'S ICE CREAM & MILK COMPANY, INC.

Ice Cream Group—manufacture and sale of ice cream and allied products.

Business of the above nature is conducted in the States of:—

California	Iowa	Missouri	Pennsylvania
Connecticut	Kentucky	New Jersey	Texas
Delaware	Maryland	New York	West Virginia
Illinois	Massachusetts	Ohio	Wisconsin
Indiana	Michigan		

and in the Provinces of Ontario and Quebec in Canada.

BORDEN'S CHEESE & PRODUCE COMPANY, INC.

Produce Group—purchase, production and sale of farm produce (butter, eggs, etc.) as a source of supply for our own wagon distribution and at wholesale; also manufacture and sale of loaf, soft and fancy cheeses.

Business of the above nature is conducted throughout the United States, Canada and in certain Export Markets.

TO THE STOCKHOLDERS OF THE BORDEN COMPANY:

This report is written in the seventy-fifth year of the Company's history, during a little over half of which period it has been the writer's privilege to be a member of the Borden Service.

While the accompanying pages reveal the financial results of the Company's operations in 1931, and its condition at the close, these pages cannot be made to reveal the ideals, the spirit and the intelligent effort of the 34,000 men and women constituting Borden's Service in 1931. Nor do these pages reveal the like qualities of those of the Service who, in the earlier years, adopted standards, inaugurated policies, and altogether carried on in a manner to make possible The Borden Company of today with its record of seventy-five years of service.

Although these 1931 financial results are gratifying under the conditions, we might, with industry generally, wish that the year compared more favorably with those of more recent and more normal years. To so wish, without giving thought to the future value of experiences had and valuable lessons learned during the past year, would be to ignore the fact that business trials and adversities such as those now experienced, calling for necessarily harder work and more intensive thinking and planning, have great constructive values that are bound to be reflected in a bigger and better business future.

To the credit of these trying times, which, happily, are bound to come to a close, new, and at the same time, wiser and sounder standards are bound to evolve.

The year 1931 can be more happily measured in terms of its future value than by use of the usual yardstick applied to the year's performance.

SEVENTY-FIFTH ANNIVERSARY

"Borden's — Seventy-five Years of Service"

It is becoming more and more recognized that real service is an increasingly important and necessary component of a growing and lasting business. Hope of a promising long future is not warranted if this most important of elements is lacking.

This business was founded in 1857, seventy-five years ago, and the actuating motive of Gail Borden, its founder, was service to humanity, the need for which was impressed upon him by his studious observation of the suffering of children deprived of the health giving qualities of carefully produced and scientifically prepared and handled milk products.

For seventy-five years, since 1857, the Borden organization has striven to justify the faith of its founder in the practicability of an idea and the attainment of an ideal of service. This has resulted in uninterrupted progress and "Borden's — Seventy-five Years of Service."

Sales

Sales for the year amounted to \$284,586,876.71 compared with \$345,422,778.69 for 1930, a sales value decrease of 17.6 per cent and a sales tonnage decrease of 8 per cent.

The drop in tonnage does not call for special comment, being attributable, of course, to the greatly reduced purchasing power of the consuming public. The greater recession in sales value than in sales tonnage reflects the further liquidation of dairy products values, which, under the conditions prevailing, was to be expected.

The adjustment of Canadian and Export sales to their United States dollar value further reduced the sales value figure.

This reduction does not reflect, as unfortunately has been publicly stated, any warring other than that of relentless economic forces upon a cost, and therefore a price structure, not attuned to the play of such forces in their most violent mood.

Current costs of raw milk on the farms, which in turn are reflected in current selling prices, are now both such as to justify the hope that most of these necessarily downward revisions have taken place in the great majority of markets and that the effect will be the bringing about of a more normal relation of supply and demand and consequently more normal market conditions.

Current selling prices reflect, in addition to lower raw milk and other supply costs, much of savings resulting from improved operating efficiency and further co-ordination of activities.

Net Income and Earnings per Share

Net income for the year amounting to \$16,812,268.56 is 5.91 per cent of Sales and \$3.82 per share, before provision for profit sharing, on all of the Capital Stock outstanding December 31, 1931.

After profit sharing distribution under the plan approved by Stockholders and administered by a Committee of non-participating members of the Board of Directors, amounting to \$723,439.68, or 16¢ per share of Stock outstanding December 31, 1931, the net earnings per share figure is \$3.66, which compares with \$4.84 per share after profit sharing distribution for 1930.

Although the net earnings per share of \$3.82 before profit sharing distribution represents the earning power of the business for the year, and such profit sharing as may be determined by the Directors under the plan is a distribution therefrom to hundreds of eligible officers and employees, it is, nevertheless, deemed best to report the earnings and profit sharing distribution therefrom in this form rather than separately as heretofore.

The shares outstanding at the close of the year included all stock issued up to that date in payment for businesses acquired during the year, which were few, irrespective of the date when such stock was issued. The Borden Income, however, only reflects the results of such businesses subsequent to the dates when they were respectively acquired.

In view of the many abnormalities of 1931 with their effect on operations and, further, because of the large Reserve Appropriations made, it seems fitting, under such conditions and at such a time, to give assurance that in Net Income herein reported there is not reflected any net benefit thereto either by deviation from previously established accounting practice or by taking advantage of any hitherto existing or newly created Reserves.

Net Working Capital

Net Working Capital as of December 31, 1931 is adversely affected by a write-down of the following items:

Marketable Securities to their December 31, 1931 market value, involving a reduction of	\$1,625,000.00
Cash and Other Net Current Assets of foreign subsidiaries re- maining in foreign countries to their United States dollar value on December 31, 1931, involving a reduction of . . .	854,262.83
TOTAL	<hr/> \$2,479,262.83

After the above reductions Net Working Capital amounted on December 31, 1931 to \$43,646,852.24 as compared with \$42,231,939.98 on December 31, 1930.

The ratio of Current Assets to Current Liabilities on December 31, 1931 after the above reductions, was \$3.91 to \$1.00, which compares with a ratio of \$2.82 to \$1.00 on December 31, 1930. Cash alone was sufficient to meet all current liabilities.

Cash on hand, domestic and foreign, adjusted to United States dollar value, amounted on December 31, 1931 to \$15,027,552.55, which compares with \$9,820,421.50 on hand December 31, 1930.

There were no bank loans on December 31, 1931 as compared with Notes Payable of \$4,800,000.00 on December 31, 1930.

Marketable Securities at their December 31, 1931 United States market value amounted to \$10,157,503.00, which compares with \$12,435,435.78 on December 31, 1930.

Inventories on hand December 31, 1931 of \$17,161,726.40 compare with \$25,363,285.24 on hand at the close of 1930. The physical volume of these inventories is very low and about the minimum necessary to operations. All Inventories were valued at the lower of cost or market conservatively established.

While collections under the conditions prevailing were satisfactory, they of course were not up to our usual very high standard. However, Credit losses have been adequately provided for through Reserves created by charges to Operations, and Receivables are in good condition.

Mortgages and Purchase-Money Notes Assumed

All of these obligations were assumed in connection with businesses acquired.

The amount of \$114,000.00 of these remaining on December 31, 1931 is after the payment of all amounts due and anticipation of payments to the extent permitted by holders of these obligations.

Property, Plant and Equipment

The net depreciated and adjusted value of this item on December 31, 1931, is \$100,186,701.81 as compared with \$114,355,389.39 on December 31, 1930.

During the year the plant and equipment expenditures planned to provide for extension, improved operating facilities and replacements were generally carried out. Although additional and better property values were thus created, the total net book value of Property, Plant and Equipment at the close of 1931 shows a considerable reduction over that of the previous year as shown above. This reduction in book value is the result of an adjustment of these values, which matter is treated in more detail on page 9 of this report, under "Appropriations to Reserves."

The Company at all times maintains its properties in excellent physical condition and constantly studies their needs, both as to capacity and efficiency.

All property expenditures, whether repairs, replacements or betterments, are controlled by a conservative policy of accounting.

Capital expenditures to provide additional capacity, to further develop consolidation and efficiency of productive and distributive operations, and altogether to further carry out plans for the greater co-ordination, welding and general improvement of facilities will be made during 1932.

The Budget of Capital Expenditures for 1932, embracing the foregoing and amounting to approximately the same aggregate as in 1931, has been approved by the Board of Directors.

Appropriations to Reserves

- (a)—Property, Plant and Equipment
- (b)—Marketable Securities
- (c)—Foreign Exchange—Net Current Assets of Foreign Subsidiaries

Profit or Loss resulting from disposal or adjustment of the book value of Property, Plant and Equipment and/or Marketable Securities has always been treated by this Company, and we believe properly and justly so, as a Surplus or Reserve charge or credit as the case might be.

Adjustments, whenever and however made, have been soundly based.

The treatment herein reflected of further adjustment of book values conforms to, and is consistent with, this long established policy.

(a)—Normal growth and progress, scientific research and development, improved technique and operating efficiency call for constant study and survey of the physical assets employed in the processes of production and distribution. Such studies never cease to indicate the wisdom of changes, additions, substitutions and consolidations, which in turn bring about a measure of obsolescence and idleness and, therefore, scrapping or other disposition of plants and equipment affected. The foregoing is true at all times and under ordinary conditions, but to a much greater degree following such a program of expansion and diversification as this Company has engaged in during the past four years, during which time we have acquired many fine businesses in the United States and Canada, with their physical assets and methods geared to their particular individual requirements.

Co-ordination of activities and standardization of practice takes on a new and added importance under such conditions and at such a time if the potential benefits and advantages of such a policy are to be realized. We have done much and accomplished much along these lines. We have definitely planned and are engaged in the doing of much more, all aimed at greater efficiency and co-ordination of operations, with utmost protection of quality.

As a consequence of all of the foregoing the adjustments of book values of Property, Plant and Equipment, as set forth on page 15 of this Report, and aggregating \$9,750,000.00, have been made.

These adjustments comprehend the effect on book values to date of the carrying out of such a plan and, as well, the estimated similar effect on values that now seems likely of experience in the near future. They have the further effect, when taken together with property sales so far effected, of relieving operations of depreciation charges as affecting this class of properties, but without lowering of the depreciation rates used.

(b)—The special provision of \$1,625,000.00 made and shown on page 15 of this Report for the writing-down of Marketable Securities owned to their market value on December 31, 1931, conforms to, and is consistent with, our long established practice of treating the adjustment of such Assets as a Surplus item.

The profits realized on the sale of Marketable Securities during very recent years, which profits were credited directly to Surplus, have considerably exceeded the provision for their December 31, 1931 adjustment now charged to Surplus.

These securities are of high investment rating, a large proportion being United States Government securities.

There is little likelihood of need for their immediate conversion into cash. There is likelihood of their market value being restored to at least their previously carried book value, which last reported value was below the then market value. In such an event, the appreciation enjoyed will, of course, not be reflected in then current income, but treated, as now and heretofore, as an adjustment of Assets and, therefore, a credit to Surplus.

(c)—Such exchange losses as have anywhere been currently experienced, together with estimated exchange losses on forward contracts made in terms of foreign exchange at par, (although such contracts will not be finally consummated before March 31, 1932) have been charged to 1931 operations. Further similar losses, if any, will, of course, be charged currently.

The earnings of foreign subsidiaries are currently depreciated to United States dollar value, thus becoming a charge to current operations, irrespective of whether such earnings are transferred to the United States or allowed to remain in foreign jurisdictions.

It is thus seen that 1931 operations have absorbed, and future operations will absorb, all exchange losses of a current nature.

Over and above, and apart from these current charges, currently taken, special provision for Balance Sheet purposes was made to the amount of \$854,262.83, as shown on page 15 of this Report, for the adjustment to their United States dollar value on December 31, 1931 of the aggregate net current assets of foreign subsidiaries then remaining in and operating solely within foreign countries (almost all of which are in Canada).

These assets are solely employed and converted into finished products, and the sales thereof almost wholly confined to the country in which the assets are located.

In the event of exchange being restored to par or stabilized on a basis higher than rates employed in their depreciation on December 31, 1931, the resulting appreciation of book values of these net current assets then remaining would become a direct return to Surplus, without any effect on the then operating income.

Other Reserves

The total of all Reserves shown on the Liability side of the Balance Sheet on December 31, 1931, after all adjustments and appropriations herein referred to, is \$8,319,864.75 as compared with \$12,330,450.71 on December 31, 1930. Of this difference of \$4,010,585.96 there was returned to Surplus \$1,443,757.08 as shown under "Net Appropriations to Reserves" on page 15, and the remainder has been reclassified, practically all of which has been added to "Reserves for Depreciation" under "Property, Plant and Equipment."

It will be noted that except for Contingency Reserve of \$2,664,009.48, against which there were no charges made during the year, all other Reserves remaining, and amounting to \$5,655,855.27, are Operating Reserves created by charges to operations.

Capital Stock

Of the Authorized Capital Stock of 8,000,000 shares of \$25.00 par value each and an aggregate par value of \$200,000,000.00, there was outstanding on December 31, 1931, \$109,882,025.00, represented by 4,395,281 shares, as compared with \$105,834,875.00 represented by 4,233,395 shares on December 31, 1930.

Of the increase in outstanding Capital Stock of the Company for the year amounting to \$4,047,150.00 and 161,886 shares, 127,001 shares were issued in payment of the 3% stock dividend of January 15, 1931 and 34,885 shares were issued in payment for businesses acquired. The Stockholders were previously advised of these acquisitions.

No further stock dividends have been declared.

As in 1929 and 1930, no additional stock was offered to Stockholders for subscription during the year 1931.

The capital structure continues without any outstanding securities senior to the Common Stock of The Borden Company.

The stock outstanding December 31, 1931, was held by 32,383 Stockholders with an average holding of 136 shares as compared with 24,383 Stockholders with an average holding of 174 shares on December 31, 1930. Employees held on December 31, 1931, an aggregate of 821,704 shares. The number of employees holding stock increased considerably during the year.

The number of Stockholders as of December 31st for each of the past five years follows:

1927	. . . . .	5,664
1928	. . . . .	9,482
1929	. . . . .	17,167
1930	. . . . .	24,383
1931	. . . . .	32,383

Seventy-five years ago when the Company began its operations there were two Stockholders — Gail Borden and Jeremiah Milbank, each of whom owned one-half of the then Company. These two men were the forebears of the present Lewis M. Borden, Director, and Albert G. Milbank, Chairman of the Board of Directors.

The Directors and Official Staff feel most grateful for the accomplishments of such a subnormal and trying year and, as well, the condition and preparedness of the Company at its close. In all of this we recognize and give full credit to the large and vitally necessary contribution of the many who, with us, serve and together constitute the organization and are the present day representatives of—"Borden's—Seventy-five Years of Service."

Respectfully submitted,

ARTHUR W. MILBURN

*Chief Executive
and*

Chairman Executive Committee

THE BORDEN COMPANY and all SUBSIDIARY COMPANIES
Consolidated Balance Sheet, December 31, 1931

ASSETS

PROPERTY, PLANT AND EQUIPMENT:

Including Madison Avenue and Hudson Street Office Building
 Properties (Values are based on cost or on field surveys by
 Company's engineers, supplemented where necessary by inde-
 pendent appraisals, with subsequent additions at cost) . . . \$173,247,217.77

LESS:

Reserves for Depreciation 73,060,515.96

NET PROPERTY, PLANT AND EQUIPMENT \$100,186,701.81

CURRENT ASSETS:

Cash	\$15,027,552.55	
Marketable Securities (at Market or Less) . .	10,157,503.00	
Receivables — Less Reserve for Doubtful Ac- counts	16,319,304.69	
Finished Goods (at the Lower of Cost or Market)	11,879,788.40	
Raw Materials and Supplies (at the Lower of Cost or Market)	5,281,938.00	58,666,086.64

PREPAID ITEMS AND MISCELLANEOUS ASSETS 1,081,316.66

TRADE-MARKS, PATENTS AND GOOD-WILL 7,000,000.00

TOTAL \$166,934,105.11

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES
Consolidated Balance Sheet, December 31, 1931

LIABILITIES

MORTGAGES AND PURCHASE-MONEY NOTES ASSUMED	\$ 114,000.00
MORTGAGE—MADISON AVE. OFFICE BUILDING PROPERTY	2,700,000.00
CURRENT LIABILITIES:	
Accounts Payable	\$9,431,091.22
Accrued Accounts:	
Income Taxes (Estimated)	1,918,956.60
Other Items	3,669,186.58
	15,019,234.40
DEFERRED CREDITS	877,064.43
	\$ 18,710,298.83
CAPITAL STOCK — THE BORDEN COMPANY:	
Common, \$25. par (Authorized 8,000,000 shares):	
Issued	4,414,058 shares
Less Treasury Stock	18,777 "
Outstanding	4,395,281 " \$109,882,025.00
RESERVES:	
Contingency Reserve	2,664,009.48
Insurance and Other Operating Reserves	5,655,855.27
EARNED SURPLUS	30,021,916.53
	148,223,806.28
TOTAL	\$166,934,105.11

THE BORDEN COMPANY and all SUBSIDIARY COMPANIES
Statement of Consolidated Income and Surplus
For the Year Ended December 31, 1931

SALES:

(This figure, as in previous years, is after deducting returned goods and intercompany sales) \$284,586,876.71

COST OF SALES AND EXPENSES:

(Including provision for depreciation in the amount of \$9,126,307.86, insurance, property taxes and all manufacturing, selling, delivery, administrative and general expenses, after deducting miscellaneous operating income) 266,628,391.92

NET OPERATING PROFIT \$ 17,958,484.79

OTHER INCOME (Less charges for interest) 726,163.01

GROSS INCOME \$ 18,684,647.80

DEDUCT—Income Taxes (Estimated) 1,872,379.24

NET INCOME FROM ORDINARY OPERATIONS BEFORE PROVISION FOR PROFIT SHARING \$ 16,812,268.56

PROVISION FOR PROFIT SHARING FOR 1931:

(Being a distribution to officers and employees not chargeable to operating costs. Distribution is made by Board of Directors action, as provided in the Profit Sharing Plan, only out of the above income in excess of regular cash dividend requirements, plus a margin of safety, and cannot in the aggregate exceed 50¢ a share) 723,439.68

NET INCOME AFTER ABOVE PROVISION (carried forward to page 15) . \$ 16,088,828.88

THE BORDEN COMPANY and all SUBSIDIARY COMPANIES
Statement of Consolidated Income and Surplus
For the Year Ended December 31, 1931

SURPLUS JANUARY 1, 1931	\$43,077,873.77	
Less Stock Dividend Paid January 15, 1931, out of net profits for the year 1930, as per resolution of Board of Directors, December 2, 1930	3,175,025.00	\$39,902,848.77
NET INCOME as brought forward from page 14		16,088,828.88
GROSS SURPLUS		\$55,991,677.65
SURPLUS CHARGES:		
Dividends Paid in Cash during the year 1931	\$13,143,117.75	
Loss on Disposal of Property	2,041,137.62	
Appropriations to Reserves:		
To provide for estimated future loss on disposal of idle, surplus, obsolete and excessively cost-valued Property, Plant and Equipment, and the writing down of appreciation due to past independent appraisal of properties. (This amount has been credited to the "Reserves for Depreciation").		
See comment (a) on page 9	\$ 9,750,000.00	
To provide for the adjustment in value of Securities to at least the market value thereof at December 31, 1931. (This amount has been deducted from "Marketable Securities" and therefore from Current Assets).		
See comment (b) on page 9	1,625,000.00	
To provide for the writing down to the United States dollar basis of the net current assets of foreign subsidiaries, remaining in foreign countries. Current Assets and Current Liabilities have been adjusted downward by this amount. (Exchange losses on current transactions have been absorbed in 1931 operating results).		
See comment (c) on page 10	854,262.83	
Total Appropriations to Reserves	\$12,229,262.83	
Less amount returned to Surplus from Reserves no longer used for purposes for which established	1,443,757.08	
Net Appropriations to Reserves	10,785,505.75	
		25,969,761.12
EARNED SURPLUS DECEMBER 31, 1931		<u>\$30,021,916.53</u>

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
AND IN

ENGLAND, FRANCE, GERMANY, CHINA, PHILIPPINES
CANADA, CUBA, MEXICO
SOUTH AMERICA AND SOUTH AFRICA

CABLE ADDRESS "HASKSELLS"

NEW YORK CENTRAL BUILDING

75 EAST 45TH STREET

NEW YORK

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

CERTIFICATE OF AUDIT

THE BORDEN COMPANY:

We have audited your accounts and those of your subsidiary companies for the year ended December 31, 1931, or, as to companies whose businesses were completely acquired during the year, for the periods from the effective dates of acquisition to December 31, 1931.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. In our opinion, adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent balances shown by inventory records which are adjusted from time to time to agree with physical inventories. The inventory records were examined by us and appear to be correct. All inventory valuations are based upon cost or market, whichever was lower.

We hereby certify that in our opinion the accompanying Consolidated Balance Sheet and Statement of Consolidated Income and Surplus correctly set forth, respectively, the financial condition of the companies at December 31, 1931, and the results of their operations for the year (or lesser periods) ended that date.

HASKINS & SELLS.

New York, February 26, 1932.

1857



1932

"Seventy-Five Years of Service"